

Message Text

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ACTION AF-18

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SAL-01 SS-14 STR-08 OMB-01 CEA-02 L-03 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12

LAB-06 SIL-01 IGA-02 AGR-20 RSR-01 EUR-25 /177 W

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E. O. 11652: N/ A

TAGS: BGEN EFIN MI

SUBJ: BANK OF AMERICAN INVESTMENT IN MALAWI

BEGIN SUMMARY - PRESIDENT BANDA DESCRIBES DISCUSSIONS WITH
BANK OF AMERICAN RE INVESTMENT IN MALAWI AND ASKS US TO
ENCOURAGE BANK. PRESIDENT WOULD WELCOME INCREASED U. S. /
MALAWI TRADE. END SUMMARY

1. PRESIDENT BANDA INFORMED ME MARCH 19 OF HIS DISCUSSIONS
WITH CHARLES BILLMYER, ASSISTANT VICE PRESIDENT, BANK OF
AMERICA, LONDON, ABOUT PROPOSAL THAT BOA INVEST IN MALAWI.

2. PRESIDENT RECALLED HISTORY OF MERGER OF BARCLAYS AND
STANDARD BANKS IN MALAWI INTO NATIONAL BANK WITH GOM EQUITY
PARTICIPATION. THIS LEFT ONLY ONE BANK IN MALAWI. TO PROVIDE
COMPETITION IN BANKING FIELD, PRESIDENT ARRANGED FOR ESTAB-
LISHMENT COMMERCIAL BANK OF MALAWI WITH 40 PERCENT MALAWI
EQUITY, 60 PERCENT PORTUGUESE. IN PRACTICE STANDARD AND
BARCLAYS WERE PROVING RELUCTANT INVEST SUFFICIENT CAPITAL IN
MALAWI TO COVER EXPANDING NEEDS, AND COMMERCIAL BANK LACKED
RESOURCES. THUS PRESIDENT WISHED TO BRING IN LARGE AMERICAN
BANK. HE CONTACTED BOA IN NOVEMBER 1972 AND BILLMYER' S VISIT
IS RESULT.

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3. UNDER PROPOSAL COMMERCIAL BANK WOULD BE REORGANIZED WITH MALAWI INTERESTS HOLDING 40 PERCENT, PORTUGUESE INTERESTS 30 PERCENT, AND BOA 30 PERCENT. JORGE JARDIM WHO REPRESENTED PORTUGUESE INTERESTS HAD AGREED. ORIGINAL PORTUGUESE PARTICIPANT, BANCO PINTO E SOTTO MAYOR, HAD BEEN REPLACED BY PORTUGUESE FINANCIAL SOCIETY BASED IN METROPOLITAN PORTUGAL AND MOZAMBIQUE FINANCIAL INSTITUTE.

4. PRESIDENT SAID BILLMYER HAD EXAMINED BOOKS OF BANK AND FINANCIAL SITUATION IN MALAWI AND CONCLUDED THINGS IN GOOD SHAPE. PRESIDENT WISHED TO MAKE ARRANGEMENTS DIRECTLY WITH BOA IN SAN FRANCISCO AND NOT THROUGH LATTER' S CONSORTIUM IN GENEVA. BILLMYER QUOTED AS SAYING AGREEMENT MIGHT BE WORKED OUT WITHIN SIX MONTHS.

5. IN ABBREVIATED DISCUSSION WITH US MARCH 15, BILLMYER SAID BOA HAD ALREADY APPROVED LINE OF CREDIT TO COMMERICAL BANK OF 750,000 DOLLARS. HE HAD EXAMINED BOOKS OF COMMERICAL BANK AND OPERATION LOOKED SOUND. HE WAS AWARE OF BANK' S PREVIOUS PROBLEMS BUT IT HAD NOW TURNED CORNER AND MANAGEMENT WAS COMPETENT. PORTUGUESE PARTICIPANTS WERE WELL KNOWN AND RESPONSIBLE. HE EXPRESSED OPTIMISM OVER CONCLUSION OF AGREEMENT BUT CAUTIONED THIS ONLY PRELIMINARY ASSESSMENT.

6. PRESIDENT URGED THAT WE ENCOURAGE BOA TO INVEST IN MALAWI. I THANKED PRESIDENT FOR INFORMATION AND SAID WE WOULD BE GLAD TO SEE U. S. INVESTMENT IN MALAWI. HOPEFULLY THIS WOULD ALSO LEAD TO INCREASED TRADE BETWEEN MALAWI AND U. S. I POINTED OUT IMPROVED FACILITIES NOW AVAILABLE FROM EXIMBANK AND OPIC TO FACITITATE TRADE AND INVESTMENT. PRESIDENT SAID HE WOULD VERY MUCH LIKE TO SEE INCREASED MALAWI/ U. S. TRADE. IN RESPONSE TO QUESTION, HE AFFIRMED THERE WAS NO PREFERENCE FOR TRADE WITH ANY OTHER COUNTRY. WITH UK' S ENTRANCE INTO COMMON MARKET SPECIAL ARRANGEMENTS PERTAINING TO COMMONWEALTH WERE NATURALLY FALLING AWAY AND MALAWI WAS INTENT ON MAKING BEST ARRANGEMENTS IT COULD FOR FUTURE WITH EUROPE AND EGMS.

7. I TOOK OPPORTUNITY EXPLAIN TO PRESIDENT U. S. VIEWS ON REVERSEPREFERENCES. HE WAS AWARE OF OUR POSITION AND SAID LIMITED OFFICIAL USE

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MALAWI HAD NO DESIRE SEE SUCH PREFERENCES CONTINUED.

8. COMMENT: WE HOPE WASHINGTON WILL ENCOURAGE BOA TO INVEST IN MALAWI POINTING OUT POLITICAL STABILITY, SUCCESSFUL DEVELOPMENT PROGRAM, AND PRUDENT FINANCIAL MANAGEMENT. PRESENCE OF BOA SHOULD HELP STIMULATE IN PRACTICAL WAY EXISTING MALAWI RECEPTIVITY TO EXPANSION OF TRADE WITH U. S.

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